

Internal Audit Division
City of Greensboro



May 31, 2010

TO: Rashad Young, City Manager

FROM: Internal Audit Division

SUBJECT: Farmer's Curb Market Review

The Internal Audit Division has completed our review of The Farmer's Curb Market. Attached you will find our review report; the departmental response and our replies to their responses. We feel that sufficient corrective actions have been implemented to our recommendations as we move forward. If you have any questions or need additional information, please let us know. Thanks.

Len Lucas
Internal Audit Director

cc: Bob Morgan, Deputy City Manager
Denise Turner, Assistant City Manager for Community Affairs & Communications
Greg Jackson, Director of Parks & Recreation
Marlene Druga, Deputy Finance Director – Financial Services

Internal Audit Division
City of Greensboro



May 6, 2010

TO: Greg Jackson, Director of Parks & Recreation

FROM: Internal Audit Division

SUBJECT: Farmers' Curb Market Review

The Internal Audit Division has conducted a cash-handling/operations review of the Farmers' Curb Market for the period of July 1, 2007 through February 28, 2010. A haphazardly-selected sample of revenues totaling an amount of **\$25,859.00** was tested, which is 15% of all revenues collected during the period under review. Yearly and daily space fees are assessed and collected from vendors for the rental of tables at the Farmers' Curb Market. Space fees are also assessed and collected for special events, such as the pottery festivals and arts and crafts shows.

The scope of this review was limited to determining if funds were being properly accounted for, whether adequate internal controls are in place to safeguard the cash, and accounting policies and procedures were being adhered to. In order to accomplish this, Internal Audit requested all revenue sheets turned in to Collections during the period under review. We compared total revenues to the amount recorded in the general ledger to ensure a complete population. A sample size of 15% of all revenues collected from July 2007 through the end of February 2010 was haphazardly selected. Internal Audit requested and reviewed all receipts, vendor sign-in sheets, and attendance logs relating to the selected sample. Cash deposit forms were logged and deposits were traced from the point of origin to the validation of cash receipts received by Collections and the final recording in the general ledger. Internal Audit visited the Farmers' Curb Market location and met with the Market Coordinator and Market Manager to observe and to gain an understanding of the operations and internal control structure surrounding the cash handling. Internal Audit performed a thorough evaluation of the internal control structure to ensure strong accountability and stewardship over the funds.

As a result of our review, we found the following areas of concern and offer our recommendations:

Findings:

- **Internal controls over collection and proper safeguarding of cash are deficient.** All cash receipt transactions during the period under review were initiated, collected, reconciled, secured, documented, and delivered to Collections by the Market Manager.

Good internal controls dictate the proper segregation of duties, which includes separating custody of cash from record-keeping of cash collected.

Internal audit noted that prior to March 2009 no supporting documentation was being collected to validate cash totals at the end of the day. In March 2009, management implemented the use of sign-in and attendance sheets to monitor yearly and daily vendor attendance to ensure fees are assessed to and collected from all vendors renting space on a daily basis. The attendance sheets, which track daily fees paid, can provide an aid in the validation of cash collected during the day and should agree with receipts. However, the Market Manager was also responsible for completing the sign-in and attendance sheets, and for reconciling cash collected to receipts and the sheets, which continues to violate proper segregation of duties.

Deposit forms and cash receipts submitted to Collections are prepared by the Market Manager. The forms are not prepared under dual control nor are cash receipts reconciled or verified by another person prior to a deposit being submitted to Collections.

Currently there is also no review of cash receipts in place that ensures cash collected is deposited with the bank and properly recorded in the general ledger on a timely basis.

- **Documentation of cash receipts collected is insufficient.** Although pre-numbered receipts are being issued for cash collected, the majority of receipts inspected did not indicate what the cash collected was for, such as the type or size of table. Some receipts were also missing the date and issuer's signature.

Internal Audit also noted that on the Farmers' Curb Market that occurred on October 4, 2008 the Market Manager had run out of pre-numbered receipts and was hand-writing numbers on the receipts. The purpose for the use of pre-numbered receipts is to provide a mechanism to be able to account for all receipts issued. Un-numbered receipts present an opportunity for receipts to go unaccounted for. This is especially problematic because there are no other internal controls in place and an opportunity to take in cash without generating a traceable paper trail exists.

- **Daily fee schedules are not being adhered to as established by the Parks and Recreation Department for regular vendors who do not have a yearly space assigned.** Internal Audit noted that since the sign-in and attendance sheets have been implemented, that vendors who regularly attend the Farmers' Curb Market but do not have a yearly space, are not being charged rental fees once they attend and pay for 14 weeks of space fees. Per conversation with the Market Manager and Market Coordinator, this practice was established to make rental fees more equitable for vendors who

regularly attend the Farmers' Curb Market, but are unable to obtain a yearly table assignment due to space restrictions. After attending and paying for the same size and type of space for 14 weeks in a year, the collective amount the vendor has paid exceeds the corresponding table type's yearly rate. This practice is not documented and is in contradiction to the currently established fee schedules as determined by the Parks & Recreation Department. The sign-in sheets and attendance sheets are marked "paid up" when this practice is applied. Also of concern is that the Market Manager does not track how often vendors attend and pay for a space, but relies on vendors to provide receipts to receive this benefit, which does not sufficiently document vendor activity to make such a determination.

Internal Audit noted that documentation prior to March 2009 is insufficient to determine if all fees were assessed and collected in accordance with the Parks and Recreation established rates, as vendor attendance was not documented. Receipts would only have been issued if cash was received.

- **Some yearly space fees and facility rental fees are not collected in full.** The Farmers' Curb Market accepts payment of annual table fees and facility rental fees in installments; however, it does not have a process in place for tracking and accounting for partial payments to ensure that payment in full is received from vendors who pay in installments.

Internal Audit noted two instances in which the rental fees were not collected in full. The Farmers' Curb Market has accepted five \$25 payments from Marie Fulp relating to a yearly full table rental fee of \$330. No payments have been made on the space fee since August 29, 2009. Currently there is an outstanding balance of \$205 for this rental. The market also does not have a current renewal on file for Ms. Fulp.

The other instance involved the rental of the facilities to the Antique Bottle Show. Facility rental rates established by Parks & Recreation are \$750 for the first 24 hours of the rental of facilities and \$500 for each additional day. For the 2007 and 2009 shows, the Market Coordinator was only able to locate receipts for total collections of \$600 and \$700, respectively for each year, which do not agree with established facility rental fees. Internal Audit was unable to determine the cause of the discrepancy for the 2007 show payment. The Market Coordinator was unaware of any agreements that were made to alter the fee amount. In 2009 the full fee was not collected due to an administrative oversight.

Lastly, fees have not been established for the rental of the outside portion of the Farmers' Curb Market facility. The Herbal Thyme Herb Guild rents this space for Herb Fest once

a year for \$250. Internal Audit was unable to obtain any supporting documentation in regards to who established the fee currently being charged for the rental of the outside area.

- **Sign-in and attendance sheets are not properly completed and maintained.** Per Greensboro Farmers' Curb Market Fee Processing Procedures, "*a log of permanent vendor attendance as well as additional table assignments and fees collected*" is to be maintained by the Market Manager and confirmed by the Market Coordinator. These procedures were put in place in March 2009. Attendance sheets are not being completed and maintained for Wednesday markets. Furthermore, four out of fifteen Saturday markets reviewed were missing attendance sheets, although a sign-in sheet was kept on file for these days. In one instance, only a partial attendance sheet was kept on file. Also only a sign-in sheet for the March 14, 2009 Farmers' Curb Market was kept on file, as attendance sheets were not implemented until the March 21, 2009 market.

Sign-in and attendance sheets are not being prepared in a consistent and complete manner. Both sheets provide a space to record table assignments, which provides support for the amount of space fee assessed and collected. However, in ten out of eleven attendance sheets reviewed, space assignments did not always agree when compared to assignments as recorded on corresponding sign-in sheets. In nine out of eleven instances, vendors assigned a table on the attendance sheet did not appear on the sign-in sheet. In seven out of eleven instances, a vendor who signed-in did not appear on the attendance sheet without explanation. Also, although both sheets provide a space to record the amount of fee due and paid, many sheets would not specify beyond noting paid. The amount of money due and collected should be indicated on the sheets to assist in reconciling cash receipts.

The attendance sheets are not being consistently verified or confirmed by the Market Coordinator or anyone else aside from the Market Manager.

- **Application/Renewal forms do not provide sufficient documentation to support fee assessed and collected.** Application and renewal forms provide a space to designate which tables are assigned to the vendor; however, in five out of nine application and renewal forms inspected, the table assignment was not recorded on the form. Currently the forms do not provide a space for the amount due from and paid by the vendor. Furthermore, two out of nine applications were not signed by the vendor, which documents that the vendor has read, understands, and agrees to abide by the Vendor Participation Guidelines governing the operation of the Greensboro Farmers' Curb Market.

- **Cash overages and shortages are not being reported.** Per review of receipts, deposit forms, sign-in sheets, and attendance sheets, Internal Audit identified one overage and one shortage that were not reported as such. The revenue sheet submitted to Collections on May 14, 2008 reflected a total of \$1,090 in revenue, whereas cash receipts supported a total of \$1,066, an overage of \$24. The May 5, 2009 revenue sheet submitted to Collections reported a total amount of \$1,071 in revenue, whereas cash receipts supported a total of \$1,078, a shortage of \$7. The overage and shortage were absorbed into the Rent revenue account (#101-5023-06.7801) instead of being reported separately. Per Parks & Recreation Deposit Policy, unidentifiable cash overages must be deposited and recorded as an overage. Internal Audit was unable to determine the cause of the overage and shortage.
- **Cash receipts are not brought to Collections in a timely manner.** 14 out of 18 deposits selected for testing included cash receipts collected in a prior month being submitted to Collections in the subsequent month. This results in revenues being recorded in the incorrect period. Per the Greensboro Farmers' Curb Market Fee Processing Procedures, the Market Manager is to deposit on Monday and Wednesday all annual and daily fees collected on Saturdays and Wednesdays, respectively. This policy was not adhered to in any of the samples selected for testing. 13 out of 18 samples selected included revenues from multiple Farmers' Curb Markets. 5 out of 18 samples were turned in to Collections the Tuesday following a Saturday Farmers' Market.
- **Farmers' Curb Market deposits exceed G.S. 159-32 cash limitation amount.** G.S. 159-32 requires collections and receipts to be deposited daily, unless moneys on hand amount to less than \$250. The City of Greensboro has been granted a local modification to this statute that increases its cash limit to a maximum of \$500. 50% of deposits selected for testing exceeded the \$500 cash limitation amount.
- **Month-end and year-end cutoffs are not being performed.** In 14 out of 18 deposits selected for testing, receipts from a previous month were not deposited until the subsequent month. Aside from revenues being recorded in the incorrect period, deposits not submitted to Collections by month-end also violate G.S. 159-32 which requires that *"in any event a deposit shall be made on the last business day of the month."*

Recommendations:

- Good internal controls dictate the segregation of certain key duties, such as custody of assets and record-keeping of cash collected. The task of completing or verifying the sign-in and attendance log should remain separate from collecting cash. Attendance logs should be used as a tool to validate and compare to collected cash and receipts issued, to ensure that all fees that should have been collected are accounted for.

Reconciliation of cash collected to receipts and attendance logs, and the preparation of the revenue sheet should be performed under dual control or independently reviewed and verified prior to being taken to Collections.

A review of cash receipts and revenue sheets should be performed by the supervisor on a monthly basis to ensure cash collected is deposited with the bank, properly recorded in the general ledger on a timely basis, and that cash-handling policies established by the Parks & Recreation Department are being followed.

- Cash receipts should be completed in full and record the date of issuance, the name of the payee, and document whether the cash collected was for a yearly or daily space fee, the size and type of table used, and specify the type and date of the event the payment applies to. Receipts should be issued at the time cash is received and signed by the person collecting the fee. Furthermore, the Market Manager should monitor receipt supplies and ensure that there are enough pre-numbered receipts on hand prior to the opening of the market. Only pre-numbered receipts should be used.
- Daily, Yearly, and Facility Rental Fees should be assessed and collected in compliance with fee schedules established by the Parks & Recreation Department. Fees should be established for the rental of the outside portion only of the facility. Any changes to the established fee schedules should be documented and instated by the Department and not the City Beautiful Office.
- Payments should be collected in full at the time the rental takes place. If partial and installment payments are accepted, policies and procedures should be established by the Parks and Recreation Department to ensure all fees due the City are collected.
- Attendance logs can be used as a tool to validate total cash collections for each Farmers' Curb Market and should be prepared for every market that occurs, whether it falls on a Wednesday or Saturday. Attendance logs should be dated the day of the Farmers' Curb Market and should document all yearly and daily vendors who attended, which spaces they rented, and the amount of the fees assessed and collected. All daily vendors should

be required to sign-in to receive a space and the attendance log should be reconciled to the sign-in sheet to ensure that all vendors present are included on the attendance log. If a vendor signs in, but does not receive a space, this should be documented as well. Attendance sheets should be reviewed prior to the end of the market to ensure that all information recorded is correct and that final space assignments are reflected on the sheet.

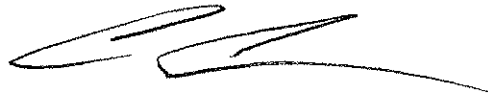
- The person responsible for preparing the attendance logs should be someone different from the person responsible for the collection of fees and issuance of receipts during Farmers' Curb Market hours. Segregation of these two duties and subsequent reconciliation between the attendance log, receipts, and cash collected will strengthen internal controls and reduce the risk of misappropriation and loss of cash receipts.
- An application or renewal form should be kept on file for every yearly vendor with a permanent market space assigned to them. The forms should indicate the type of space assigned and the amount of the fee due and paid. Furthermore, applications and renewal forms should be filled out completely and signed by the vendor. A policy for retention of documents should be established by the Parks and Recreation Department and approved by the Financial and Administrative Services Department, and applications should be kept on file in compliance with this policy.
- Unidentifiable overages should be reported on a separate line on the revenue sheet and charged to the City overage account (#101-0000-00.1750). If an overage can be identified with a particular payment, per Parks and Recreation Deposit Policy, it should be treated as an overpayment and refunded accordingly.
- Parks and Recreation should establish policies and procedures addressing shortages and how to report them. Once established, shortages should be reported according to policies and procedures.
- Deposits should be made in accordance with written Fee Processing Procedures. Written procedures require a deposit on Mondays and Wednesdays, following the Farmers' Curb Markets that take place on Saturday and Wednesday mornings, respectively. Following this policy will ensure that deposits are turned in to Collections in a timely manner and that revenues are recorded in the proper accounting period.
- The Farmers' Curb Market should adhere to the G.S. 159-32 modified cash limit for the City of Greensboro of \$500 to protect the city's assets.

- Deposits should be submitted to Collections by month-end to ensure the recording of revenue in the proper accounting period and to remain in compliance with G.S. 159-32 daily deposit limitations requiring that a deposit is made on the last business day of the month.

Internal Audit would like to thank the staff members of the Farmers' Curb Market for their courtesy and the cooperation shown to us during this review. We request a written response by May 20, 2010. If you have any questions or comments, please call us at 373-2203.



Lynda Frei
Internal Auditor



Len Lucas
Internal Audit Director

cc: Bob Morgan, Deputy City Manager
Denise Turner, Assistant City Manager for Community Affairs & Communications
Marlene Druga, Deputy Finance Director – Financial Services

Parks and Recreation Department
City of Greensboro



May 26, 2010

TO: Internal Audit Division
FROM: Greg Jackson, Director of Parks & Recreation

SUBJECT: Department Response to Farmers' Curb Market Review

Thank you for your thorough review and report of the cash handling procedures of the Farmers' Curb Market for the period of July 1, 2007 through February 28, 2010. The Department's response is as follows:

Recommendations:

- Good internal controls dictate the segregation of certain key duties, such as custody of assets and record-keeping of cash collected. The task of completing or verifying the sign-in and attendance log should remain separate from collecting cash. Attendance logs should be used as a tool to validate and compare to collected cash and receipts issued, to ensure that all fees that should have been collected are accounted for.

Reconciliation of cash collected to receipts and attendance logs, and the preparation of the revenue sheet should be performed under dual control or independently reviewed and verified prior to being taken to Collections.

A review of cash receipts and revenue sheets should be performed by the supervisor on a monthly basis to ensure cash collected is deposited with the bank, properly recorded in the general ledger on a timely basis, and that cash-handling policies established by the Parks & Recreation Department are being followed.

Response:

The Department is implementing procedures requiring two to be on duty each day of operation. One employee, the Market Manager will be responsible for assigning booths, collecting fees, and providing receipts. Vendors will be required to sign the attendance logs each day. The Market Coordinator will verify the reports daily and reconcile the log

with the receipts and actual booth assignments. On a monthly basis the Section Supervisor will reconcile deposit forms with the General Ledger.

Recommendations:

- Cash receipts should be completed in full and record the date of issuance, the name of the payee, and document whether the cash collected was for a yearly or daily space fee, the size and type of table used, and specify the type and date of the event the payment applies to. Receipts should be issued at the time cash is received and signed by the person collecting the fee. Furthermore, the Market Manager should monitor receipt supplies and ensure that there are enough pre-numbered receipts on hand prior to the opening of the market. Only pre-numbered receipts should be used.

Response:

The department is purchasing a cash register in order to generate receipts and reports. The register keys will permit tracking and reconciliation of all transactions including annual and daily fees and attendance. Staff will be required to provide register receipts for each transaction. The Market Coordinator will reconcile receipts with the table assignments on the log and sign in sheets.

Recommendations:

- Daily, yearly, and facility rental fees should be assessed and collected in compliance with fee schedules established by the Parks & Recreation Department. Fees should be established for the rental of the outside portion only of the facility. Any changes to the established fee schedules should be documented and instated by the department and not the City Beautiful Office.
- Payments should be collected in full at the time the rental takes place. If partial and installment payments are accepted, policies and procedures should be established by the Parks and Recreation Department to ensure all fees due the City are collected.
- Unidentifiable overages should be reported on a separate line on the revenue sheet and charged to the City overage account (#101-0000-00.1750). If an overage can be identified with a particular payment, per Parks and Recreation Deposit Policy, it should be treated as an overpayment and refunded accordingly.
- Parks and Recreation should establish policies and procedures addressing shortages and how to report them. Once established, shortages should be reported according to policies and procedures.
- Deposits should be made in accordance with written Fee Processing Procedures. Written procedures require a deposit on Mondays and Wednesdays, following the Farmers' Curb Markets that take place on Saturday and Wednesday mornings, respectively. Following this policy will ensure that deposits are turned in to Collections in a timely manner and that revenues are recorded in the proper accounting period.

- The Farmers' Curb Market should adhere to the G.S. 159-32 modified cash limit for the City of Greensboro of \$500 to protect the city's assets.
- Deposits should be submitted to Collections by month-end to ensure the recording of revenue in the proper accounting period and to remain in compliance with G.S. 159-32 daily deposit limitations requiring that a deposit is made on the last business day of the month.

Response:

The Department supports the above recommendations and will hold staff accountable for adhering to the approved fee schedule unless advised otherwise, in writing by department management. Furthermore, the market staff and supervisors will be held accountable for following established policies and procedures regarding cash handling including overages/shortages and deposits. The department is considering a change to the market rules to require vendors to pay annual fees at the time they submit their application.

Recommendations:

- Attendance logs can be used as a tool to validate total cash collections for each Farmer's Curb Market and should be prepared for every market that occurs, whether it falls on a Wednesday or Saturday. Attendance logs should be dated the day of the Farmers' Curb Market and should document all yearly and daily vendors who attended, which spaces they rented, and the amount of the fees assessed and collected. All daily vendors should be required to sign-in to receive a space and the attendance log should be reconciled to the sign-in sheet to ensure that all vendors present are included on the attendance log. If a vendor signs in, but does not receive a space, this should be documented as well. Attendance sheets should be reviewed prior to the end of the market to ensure that all information recorded is correct and that final space assignments are reflected on the sheet.
- The person responsible for preparing the attendance logs should be someone different from the person responsible for the collection of fees and issuance of receipts during Farmers' Curb Market hours. Segregation of these two duties and subsequent reconciliation between the attendance log, receipts, and cash collected will strengthen internal controls and reduce the risk of misappropriation and loss of cash receipts.

Response:

The Department is implementing a work schedule requiring two employees to be on-site at the Market during operating hours. This will allow the department to segregate duties and responsibilities as recommended. Additionally, attendance logs will be maintained for every operating day.

Recommendations:

- An application or renewal form should be kept on file for every yearly vendor with a permanent market space assigned to them. The forms should indicate the type of space assigned and the amount of the fee due and paid. Furthermore, applications and renewal forms should be filled out completely and signed by the vendor. A policy for retention of documents should be established by the Parks and Recreation Department and approved by the Finance and Administrative Services Department, and applications should be kept on file in compliance with this policy.

Response:

Staff has been instructed to adhere to this recommendation and to follow the already established records retention policy.

Again, thank you for your assistance. Please let me know if you have any questions.

A handwritten signature in black ink, appearing to read "GJ/dm".

GJ/dm

cc: Bob Morgan, Deputy City Manager
Denise Turner, Assistant City Manager for Community Affairs & Communications
Marlene Druga, Deputy Finance Director – Financial Services
Chris Wilson, Parks, Gardens, and Program Support Manager
Dan Maxson, Administrative Services Manager

Internal Audit Division
City of Greensboro



May 27, 2010

TO: Greg Jackson, Director of Parks & Recreation

FROM: Internal Audit Division

SUBJECT: Reply to Farmers' Curb Market Response to Review

The Internal Audit Division has reviewed and carefully considered your responses provided to our review dated May 6, 2010. We feel that your responses to our findings and recommendations are sufficient and when implemented will address the areas of concern.

The Internal Audit Division would like to thank you for your appreciative attitude, cooperation, and prompt response to the findings and recommendations. If you have any questions regarding the audit or our recommendations, please contact Internal Audit at 373-2203.

Lynda Frei
Internal Auditor

Len Lucas
Internal Audit Director

cc: Bob Morgan, Deputy City Manager
Denise Turner, Assistant City Manager for Community Affairs & Communications
Marlene Druga, Deputy Finance Director – Financial Services